

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 DOE-15 H-02 INR-10 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-05 ICA-20 OES-07 SP-02

SS-15 STR-07 TRSE-00 ACDA-12 PA-02 /140 W

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FM AMCONSUL HALIFAX

TO SECSTATE WASHDC 2113 PRIORITY

INFO AMEMBASSY OTTAWA

UNCLAS HALIFAX 0186

E O 11652: N/A

TAGS: ENRG CA

SUBJECT: COME BY CHANCE: NEWFOUNDLAND SPURNS

REFINERY BID

1. ALTHOUGH THE UK S EXPORT CREDIT GUARANTEE DEPT IS THE FIRST MORTGAGE HOLDER ON THE BANKRUPT COME BY CHANCE REFINERY AND IS YET TO BE HEARD FROM, THE GOVT OF NFLD AS SECOND MORTGAGE HOLDER HAS ALREADY REJECTED AN OFFER FROM THE BRITISH-OWNED ULTRAMAR CANADA LTD FOR THE FINANCIALLY-TROUBLED FACILITY. A REPORT FROM ST. JOHN S IN HALIFAX CHRONICLE-HERALD STATES THAT DESK-THUMPING PROVINCIAL LEGISLATORS ON BOTH SIDES OF NFLDS HOUSE OF ASSEMBLY HAILED ANNOUNCEMENT APR 10 BY PREMIER FRANK MOORES THAT TERMS OFFERED BY ULTRAMAR WERE UNACCEPTABLE TO THE PROVINCIAL GOVT.

2. ULTRAMAR OFFERED MERELY TO USE REFINERY AS TRANSSHIPMENT FACILITY EMPLOYING 30 OR 40 PEOPLE UNTIL SUCH TIME AS MARKET CONDITIONS MIGHT PERMIT IT TO REOPEN IN AN OPERATIONAL SENSE. THEIR BID OFFERED PAYMENT OF CDOLS 500,000 AS A DEPOSIT, ASSUMPTION OF RESPONSIBILITY TO PAY RECEIVERS CDOLS 12.5 MILLION AS REIMBURSEMENT

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FOR MOTHBALLING EXPENSES TO PRESENT TIME, AND TO BE RESPONSIBLE FOR CONTINUANCE OF MOTHBALLING FROM TAKEOVER TO 1981. REACTIVATION OF REFINERY WOULD BE CONDITIONAL UPON A FEASIBILITY STUDY CONFIRMING A YIELD OF CDOLS 50 MILLION DURING FIRST FIVE YEARS OF OPERATION AND OBTAINING SALES COMMITMENTS TOTALLING 80 PERCENT OF DESIGNED CAPACITY FOR A FIVE-YEAR PERIOD. MOREOVER,

ULTRAMAR WOULD RESERVE RIGHT TO SHUT DOWN REFINERY AGAIN
IN EVENT OF LOSSES TOTALLING CDOLS 10 MILLION IN ANY TWO
CONSECUTIVE YEARS. IF START-UP CONDITIONS WERE MET,
COMPANY OFFERED TO "MAKE CERTAIN PAYMENTS" TO CREDITORS
OVER NEXT 20 YEARS UP TO 50 PERCENT OF PROFITS AND A
MAXIMUM OF CDOLS 210 MILLION.

3. ALTHOUGH ULTRAMAR ALREADY OPERATES A SMALL REFINERY
AT HOLYROOD IN NFLD AND IS CONSIDERED A GOOD CORPORATE
CITIZEN OF THE PROVINCE, ITS BID FOR COME BY CHANCE WAS
VIEWED AS SO LUDRICROUSLY LOW THAT THE PROVINCIAL GOVT DID
NOT THINK IT NECESSARY EVEN TO GIVE CONSIDERATION TO
NEGOTIATING FOR A BETTER OFFER. WHAT PROVINCE IS NOW
HOPING FOR IS SOME KIND OF SERIOUS OFFER FROM SAUDI ARABIAN-
FINANCED FIRST ARABIAN CORPORATION. ACCORDING TO RECENT
REPORT IN TORONTO GLOBE AND MAIL, FIRST ARABIAN CORP
IS INTERESTED IN COME BY CHANCE AND CAN OFFER A
GUARANTEED SOURCE OF CRUDE OIL BUT HAS THUS FAR BEEN
UNWILLING TO PUT UP FRONT MONEY. JOHN SHAHEEN,
MEANWHILE, CONTINUES TO MAKE GRANDIOSE CLAIMS OF
IMMINENT BIDS WITH GUARANTEED FINANCING BUT IS FAST
LOSING WHATEVER CREDIBILITY HE MAY HAVE HAD. HIS
CASE SEEKING A REVERSAL OF THE NFLD SUPREME COURT
ORDER OF BANKRUPTCY COMES BEFORE THE SUPREME COURT OF
CANADA LATER THIS MONTH.

MOORE

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Message Attributes

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